Review of SRO Risk-Based Capital Requirements and Comparison to the Commission's Minimum Net Capital Requirements

Commodity Futures Trading Commission
Division of Trading and Markets

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(Exhibits)

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I. Introduction

This is a report on a review by the Division of Trading and Markets ("Division") of the implementation of risk-based net capital requirements by the Chicago Board of Trade ("CBT"), the Board of Trade Clearing Corporation ("BOTCC"), and the Chicago Mercantile Exchange, Inc. ("CME") (collectively, "the Exchanges"). The Division: (a) compared the Exchanges' risk-based capital requirements, which are based on a percentage of exchange-required margin, to the Commission's net capital requirement, which is based on a percentage of the funds that futures commission merchants ("FCMs") are required to segregate or set aside for customers; and (b) tested the accuracy of the member firms' calculations of their risk-based net capital requirements.

The commodity exchanges in the United States, through the Joint Audit Committee ("JAC"),[1] have asked the Commission to amend its net capital rule for FCMs to one that reflects the risks inherent in the commodity positions carried by FCMs' customers and noncustomers.[2] The Exchanges adopted a risk-based component to their own minimum net capital requirement for their members, effective January 1, 1998. Effective October 31, 2000, National Futures Association ("NFA") also adopted a risk-based capital requirement. When NFA adopted this requirement, the risk-based requirement became part of Commission requirements by way of Regulation 1.17(a)(1)(i)(C).[3] Thus, all FCMs required to be registered are now subject to risk-based minimum net capital requirements.

Section II of this report summarizes the Division's findings and recommendation. Section III briefly describes the statutory and regulatory background of the current net capital requirements. Section IV sets forth in detail the results of the Division's review.

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[1] The JAC is comprised of representatives of the audit and compliance departments of the futures industry self-regulatory organizations ("SROs"). Through the JAC, the SROs maintain and update a standardized audit program and coordinate audit and financial statement surveillance activities over firms that are members of more than one SRO. Where an FCM is a member of more than one exchange, the JAC will designate one exchange to be primarily responsible for routine in-field audit and financial surveillance activities over that FCM. This is the FCM's designated self-regulatory organization ("DSRO").

[2] A noncustomer account, as defined in Commission Rule 1.17(b)(4), is an account that is not included in the definition of either customer or proprietary account in Rule 1.17. These are usually accounts of affiliated entities and certain employees and officers of the FCM. The risk-based calculation includes customer and noncustomer accounts, whether belonging to domestic or foreign-domiciled customers or noncustomers and whether trading on U.S. or foreign markets, but excludes proprietary accounts. (While the risk inherent in customer and noncustomer accounts is provided for by requiring an amount of capital at least equal to the percentage of risk maintenance margin, the risk inherent in a proprietary account is provided for by assessing a capital charge (reducing adjusted net capital). *See* Rule 1.17(c)(5)(x).)

[3] Commission Regulation 1.17(a)(1)(i)(C) includes among the categories from which the amount of required net capital is determined "[t]he amount of adjusted net capital required by a registered futures association of which it is a member."

Section V provides some additional observations regarding risk-based capital. Section VI discusses FCMs that maintain large amounts of excess net capital. Section VII contains the Division's conclusions. As a result of this review, the Division is recommending changes in the Commission's net capital rules for FCMs.

II. Summary of Findings and Recommendation

A. Findings

- For the 190 FCMs registered as of December 31, 2000, implementation of risk-based capital requirements by the Exchanges and NFA resulted in an increase of total required net capital of approximately $849 million. If the Commission had adopted a risk-based capital requirement and eliminated its 4% of segregated funds requirement, as of December 31, 2000, the minimum capital requirements would have increased by approximately $815 million.

- The chart below shows the effect of NFA's adoption of risk-based capital on FCMs as of December 31, 2000. Overall, capital requirements increased for 49 of the 190 registered FCMs (27 sole FCMs and 22 dually-registered broker/dealer FCMs).

Minimum Requirement Prior to 10/31/00 Driven by:	Total Firms	Risk-Based Higher Than Prior Requirement	Risk-Based Lower Than Prior Requirement	No Change
CFTC $250K or 4% of Seg:				
FCMs	97	27	23	47
Broker/dealers	39	16	6	17
SEC Minimum:				
Broker/dealers	54	6	0	48
Total	190	49	29	112

A detailed firm-by-firm breakdown of the impact of a corresponding change to the Commission's capital requirements is set forth in Exhibits B and C, and may be summarized as follows:

- Of the 190 FCMs, 93 were dually-registered broker/dealer FCMs. Net capital requirements for 22 of these firms would have already increased by a total of $363 million due to risk-based capital. Six firms would realize a reduction in regulatory capital totaling $3 million if the Commission's current 4% requirement were eliminated. The net capital requirements for the remaining 65 firms would not change, since the firms remain subject to the SEC requirement or the Commission's $250,000 minimum.

- Of the 97 firms registered solely as FCMs, net capital requirements for 27 firms would have already increased by a total of $486 million due to risk-based capital. Requirements for 23 firms would decrease by a total of $31 million if the Commission's current 4% requirement were eliminated. The remaining 47 firms would continue to be subject to the Commission's minimum requirement of $250,000.

- The actual net capital levels of FCMs are frequently far higher than the Commission's current net capital requirements, the SROs' risk-based requirements, or the SROs' higher minimum dollar requirements. Many firms are members of larger corporate groups (including some that are affiliated with banks or bank holding companies) whose capital requirements are driven by banking regulators or internal policies of the group.

- The FCMs surveyed generally computed and reported customer and noncustomer risk maintenance margin requirements correctly.

B. Recommendation

As a result of this review, the Division is making the following recommendation to the Commission:

The Commission should propose rule amendments to adopt risk-based net capital requirements for FCMs, and review the components of net capital to ensure that they continue to be relevant in the risk-based environment.

The Division recommends that the Commission replace its current net capital requirement, based on 4% of the amount of funds required to be segregated or set aside for customers trading on U.S. and foreign commodity markets, with a risk-based net capital requirement. The risk-based net capital requirement would be proportionate to the risk to an FCM of the positions it carries for its customers' and noncustomers' accounts. The new Commission risk-based capital requirement should parallel that of the Exchanges and NFA, using 8% of customer and 4% of noncustomer risk maintenance margin. If the Commission replaced its 4% of segregated funds net capital requirement with a risk-based net capital requirement similar to that of the Exchanges and NFA, the only firms affected would be those firms whose capital requirement is currently driven by 4% of segregated funds. The adoption of risk-based capital would lower capital requirements for these firms.

Some firms had significant increases in their minimum net capital requirements as a result of the Exchanges' and NFA's rules because these firms do not generally require their large commercial customers to maintain large excess amounts of margin on deposit. For these firms, the amount of customer funds in segregation is nearly the same as the amount of risk-maintenance margin required. Therefore, much of the increase results from using 8% of risk-maintenance margin in the new risk-based calculation instead of 4% of customer funds which the accounts maintained as margin. Another material difference is due to the inclusion in the risk-based computation of the accounts belonging to noncustomers. Several of these broker/dealers carry significant activity for noncustomer accounts.

The firms whose net capital requirements would decrease are generally FCMs that hold significant amounts of excess funds for retail customers. For these firms, the risk-maintenance margin is significantly less than the funds held in segregation.

As part of its continuing efforts towards regulatory reform, the Division intends to review the rules by which adjusted net capital is calculated to determine whether the Commission's calculation of adjusted net capital should be changed to more closely reflect the risk-adjusted value of the firm's assets and liabilities. This analysis will focus on rules concerning allowable assets and "haircuts," as well as a consideration of alternative methods of calculating adjusted net capital used by other financial regulators. The Division will also review other non-capital areas of the Commission rules which reference segregated funds as a benchmark. As part of the regulatory reform, the Commission recently adopted or proposed several changes to the net capital rules.[4] In light of the many dually-registered FCMs, the Division will continue to consult with other financial regulators in developing proposed changes.

III. Current Capital Requirements

A. Commission's Minimum Net Capital Requirement

FCMs are required to meet certain minimum financial requirements under the Commodity Exchange Act ("Act")[5] and Commission rules.[6] The Commission's net capital requirements have generally been based on a percentage of the amount of customer funds required to be segregated or secured.[7] Commission Rule 1.17 sets forth the Commission's minimum net capital requirement. The rule currently requires an FCM to maintain adjusted net capital equal to or in excess of the greatest of:

1. $250,000;

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[4] Recent amendments or proposed amendments to the net capital rule include: (1) final amendments to the restrictions on the withdrawal of equity capital from an FCM and to the deduction ("haircut") applied to the value of equity securities serving as collateral for secured demand notes included in adjusted net capital by an FCM or introducing broker ("IB") (65 FR 21309 (April 21, 2000)); (2) final amendments to the rules governing subordination agreements included in the net capital of an FCM or independent IB (65 FR 51529 (August 24, 2000)); (3) final amendment to the capital charge on unsecured receivables due from foreign brokers (65 FR 52051 (August 28, 2000)); and (4) proposed amendments permitting an FCM to offset a net liquidating deficit by the value of readily marketable securities deposited by the customer as margin (65 FR 64904 (October 31, 2000)). The Commission also issued a revised interpretation concerning the treatment of funds of foreign futures or foreign options customers under Rule 30.7 (65 FR 60560 (October 11, 2000)).

[5] 7 U.S.C. § 1 et seq. (1994), as amended by the Commodity Futures Modernization Act of 2000, Pub. L. 106-554, 114 Stat. 2763 (to be codified as amended in scattered sections of 7 U.S.C.).

[6] The Commission's minimum financial requirements for FCMs are in Commission Rule 1.17, 17 C.F.R. §1.17, as authorized in Section 4f(b) of the Act.

[7] For a more extensive history of the Commission's net capital requirements, see Exhibit G.

2. 4% of the following amount: The customer funds required to be segregated pursuant to the Act (Section 4d) and regulations thereunder plus the foreign futures or foreign options secured amount (referred to in Rule 30.7), less the market value of commodity options purchased by customers for which the full premiums have been paid (the long option value). The long option value deduction for each customer is limited to the amount of customer funds and the foreign secured amount attributable to that customer;

3. the amount of adjusted net capital required by a registered futures association of which it is a member (*i.e.*, NFA); or

4. for securities brokers and dealers, the amount of net capital required by Securities and Exchange Commission ("SEC") Rule 15c3-1(a).[8]

B. Exchange Minimum Net Capital Requirement

On January 1, 1998, the Exchanges implemented risk-based net capital requirements. The Exchanges' original risk-based minimum net capital requirement was 10% of customer and 4% of noncustomer risk maintenance margin requirements.

On July 28, 1998, the Exchanges submitted to the Commission a proposed rule change to reduce the capital requirement applicable to customers' margin requirements from 10% to 8%. The Exchanges stated that this reduction was being proposed because their extensive testing revealed that a lower percentage would result in a more appropriate net capital requirement. The Commission approved the rule change, which became effective August 31, 1998. The capital requirement applicable to noncustomer margin requirements remained at 4%.

Currently, the minimum net capital requirements of CME, CBT, and BOTCC are computed as the greatest of the following amounts:

1. Minimum dollar balances required by the respective clearing organization. CME's requirement is $2 million or as determined on a case-by-case basis; BOTCC requires $2.5 million for member firms organized as corporations, and $1.5 million for partnerships;

2. Commission minimum capital requirement;

3. SEC minimum capital requirement (for broker-dealers); or

4. 8% of customer and 4% of noncustomer (excluding proprietary) risk maintenance margin/performance bond requirements for all domestic and foreign futures and options on futures contracts.

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[8] 17 C.F.R. § 240.15c3-1(a).

Thus, while the Exchanges have added a risk-based component to their minimum capital requirements, the actual requirement is the greater of: (1) the minimum dollar requirement of the respective clearing organization (ranging from $1,500,000 to $2,500,000); (2) the Commission minimum capital requirement; (3) the SEC minimum capital requirement; or (4) the risk-based component.

NFA has amended its minimum net capital rule to include a risk-based component, effective October 31, 2000. The risk-based component is identical to the levels that are currently in place at the Exchanges, 8% of customer and 4% of noncustomer maintenance margin requirements. Since all FCMs are required to be members of NFA,[9] NFA's adoption of a risk-based capital component effectively extends risk-based capital requirements to all FCMs.

The Commission's current net capital requirement – 4% of funds segregated on behalf of domestic and foreign futures customers – is driven by the amount of funds that an FCM owes its customers in connection with commodity interest accounts. By contrast, the risk-based capital requirement is based on the risk maintenance margin required on open contracts, on U.S. and foreign markets, held in the firm's customer and noncustomer accounts. The Exchanges and NFA believe that a risk-based net capital requirement provides a better correlation between the risks attendant to positions for which a firm is responsible and the level of capital the firm is required to maintain.

The Commission's current capital requirement penalizes FCMs whose customers maintain excess margin in their accounts. A customer that has excess margin in a trading account, however, in fact has provided a greater cushion against losses and thus poses *less* risk to the FCM. The risk-based approach – based on margin requirements – does not increase capital requirements for FCMs that hold excess margin, and thus does not encourage FCMs to return excess funds to their customers. A risk-based capital requirement also does not penalize an FCM for collecting higher than exchange-set minimum margin requirements from customers in markets where the FCM would like added risk coverage. In summary, a risk-based net capital requirement allows an FCM to enhance risk management by increasing margin collection, without increasing its net capital requirement.

IV. Review of Experience Under Risk-Based Capital Requirements

A. Scope of the Review

The Division reviewed the risk-based net capital calculations of four FCMs, and interviewed service bureau[10] and exchange representatives.[11] Division staff also

[9] Commission Rule 170.15 requires that each person required to register as an FCM must be a member of a registered futures association. NFA is the only registered futures association.

[10] The term "service bureau" refers to a provider of back-office computer services for futures firms.

completed a comprehensive analysis of the effect that risk-based net capital requirements would have on the current net capital requirement and related reporting for each of the 190 registered FCMs at December 31, 2000. In carrying out the review, staff:

- Compiled, for financial reports filed at December 31, 2000, the minimum net capital requirements of the Commission and the SEC, as well as the Exchanges' risk-based net capital requirements, for each registered FCM.

- Calculated and verified the risk-based net capital requirement of two FCMs whose exchange net capital requirements were driven by the risk-based component of the exchange's requirement and two FCMs whose exchange net capital requirements were driven by the customer funds-based component.

- Obtained and reviewed the specific reports generated by the two most significant service bureaus which are used to calculate risk-based net capital requirements. Tested to insure all accounts were included in the risk-based calculation by tracing selected accounts from the risk-based net capital reports to the equity run and from the equity run to the risk-based net capital reports.

- Interviewed representatives of the two most significant service bureaus to determine how the bureaus compiled the data in the risk-based net capital reports that provide the detail behind the totals reported by the FCMs.

- Discussed with exchange staff their experiences in applying the risk-based net capital requirements, their degree of satisfaction with the current percentage factors being used, and their findings with respect to member firms correctly calculating customer and noncustomer risk maintenance margin requirements.

- Reviewed audit workpapers and supporting documentation prepared by exchange representatives regarding risk-based net capital requirements.

Exhibits B and C detail both the risk-based and the Commission's net capital requirements for all registered FCMs at December 31, 2000. Exhibit D is a summary of total customer equities carried by FCMs assigned to each DSRO. Exhibits E and F show, by DSRO, the ratio of adjusted net capital to net capital required for each member FCM.

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[11] In order to ensure that all necessary factors could be evaluated, testing was performed using a judgment sample. In judgment sampling, the members of the sample are selected deliberately, in order to focus on, or ensure a desired representation of, subjects with certain characteristics. This contrasts with random sampling, in which each member of the universe being studied has an equal probability of selection and statistical conclusions about the universe can be drawn from the sample. ("sampling" *Encyclopædia Britannica Online*. <http://www.eb.com: 180/bol/topic?eu=66915&sctn=1&pm=1> [Accessed November 2, 2000].)

B. Comparison of Funds-Based and Risk-Based Net Capital Computations

The following table summarizes the different effects certain events would have on an FCM's net capital requirement under the current rule as compared to their impact under a risk-based net capital requirement:

Event	Effect on Net Capital Requirement	
	Current Rule	**Risk-Based Rule**
Additional margin deposited by a customer	Increase	No effect
Additional margin deposited by a noncustomer	No effect	No effect
Excess margin withdrawn by customer	Decrease	No effect
Excess margin withdrawn by a noncustomer	No effect	No effect
Firm increases margin requirement	Increase when funds are collected from customer	No effect
Exchange increases margin requirements	Increase when funds are collected from customer	Immediate increase
Customer or noncustomer establishes riskier positions (indicated by increased risk margin requirement) in trading account	No immediate effect	Immediate increase

This table illustrates ways in which a risk-based rule more closely correlates changes in capital to changes in risk, and therefore provides appropriate incentives to FCMs. For example, under the current rule, when a customer deposits additional margin, the capital requirement increases even though the risk to the firm decreases. Under a risk-based rule, such a deposit would not increase the capital requirement.

Calculations of required capital under the current customer funds-based method and the CBT/CME/NFA's risk-based method also differ with respect to the types of accounts included in the calculation, as summarized in the following table:

Are the following types of accounts factored into the calculation of required net capital?	Current Funds-Based Capital Requirement	Risk-Based Capital Requirement
U.S.-domiciled customers trading on U.S. exchanges	Yes	Yes
Foreign-domiciled customers trading on U.S. exchanges	Yes	Yes
U.S.-domiciled customers trading on foreign exchanges	Yes	Yes
Foreign-domiciled customers trading on foreign exchange	No	Yes
Accounts liquidating to a deficit	No	Yes
Accounts with letters of credit for performance bond	No	Yes
Noncustomer accounts	No	Yes

The risk-based capital computation covers a broader array of accounts than does the Commission's current rule. Each of these additional types of accounts can pose risks to an FCM that should be reflected in its capital requirement.

C. Calculation of Risk Maintenance Margin Requirements

The Exchanges' risk-based net capital requirement is 8% of total customer and 4% of total noncustomer risk maintenance margin requirements for both domestic and foreign-traded accounts. Proprietary (firm-owned) accounts are already included in the calculation of net capital to the extent that uncovered proprietary positions result in a charge or "haircut" to net capital, based on clearing house or exchange margin requirements.

Standard Portfolio Analysis of Risk ("SPAN") is a widely used method for determining margin requirements. CME developed SPAN, and has licensed the rights to use SPAN to approximately 28 futures exchanges and clearing organizations worldwide.[12] All U.S. contract markets (and some foreign markets) use SPAN to determine margin requirements for their clearing members. SPAN is a software program that calculates maintenance margin requirements in an account or portfolio containing both futures and options positions. The maintenance margin requirement has two components:

1. the risk component, which covers potential future losses in the portfolio value. Such losses would include a market move against a futures position or a short (written) option; and

2. the equity component (option premium, marked-to-market daily), which reflects the asset represented by long option positions or the liability represented by short (written) option positions in the portfolio.

[12] Exhibit A attached to this report lists the exchanges and clearing organizations that use SPAN, as found on CME's SPAN web site at http://www.cme.com/span/span-us2.htm.

Although both components of the SPAN maintenance margin requirement are reflected in the margin calculation, customers see only the total maintenance margin requirement in their account statements. The examples below illustrate these calculations:

Example 1. Account with Futures Position Only

Customer Account #10000	Debit	Credit
Ledger Balance		$20,000
Open Futures Positions:		
Long 22 OCT 99 CBT Soy Meal		500
Net Liquidating Value		$20,500

Customer funds-based capital requirement = $20,500 * 4% = $820

Customer's Margin Requirement

Risk Component	$15,400
Equity Component	0
Maintenance Margin Requirement	$15,400

Risk-based capital requirement = $15,400 * 8% = $1,232

In this example, the account has only a futures position so there is no equity component. The risk component is equal to the maintenance margin requirement, or $15,400. The risk-based net capital computation is 8% of customer and 4% of noncustomer total risk maintenance margin requirements. Therefore, if account #10000 was the firm's only account, and was a customer account, the firm's risk-based net capital requirement would be $1,232.

Example 2. Account with Long and Short Option Positions

Customer Account #09000	Debit	Credit
Ledger Balance		$7,455
Open Positions:		
Long 2 Sep 98 CBT Corn (futures)	$4,750	
Short 2 Dec 98 CBT Corn (futures)		4,275
Long 1 Call Oct 99 Soy Meal (option)		90
Short 2 Call Dec 98 CBT Corn (option)	662	
Short 2 Put Dec 98 CBT Corn (option)	3,725	
Total Net Liquidating Value		$2,683

Customer funds-based capital requirement = 4% * [Total Net Liquidating Value ($2,683) minus Long Option Value Deduction ($90)] = 4% * $2,593 = $104

Customer's Margin Requirement

Risk Component[13]	$ 939
Equity Component ($662 + $3,725-$90)	4,387
Maintenance Margin Requirement	$5,326

Risk-based capital requirement = $939 * 8% = $75

In this example, the account has futures and options positions. The equity component is the account's total short option premium less the long option value. The maintenance margin is equal to the risk plus the equity component. Because the account is a customer account, the firm would include the $939 risk component in its calculation of the risk-based minimum capital requirement at 8% ($939 x 8% = $75).

D. Testing of Firms' Calculations of Risk Maintenance Margin

Division staff reviewed the risk maintenance margin requirements of four exchange members. The FCMs were selected to ensure coverage of both of the most significant service bureaus and different factors driving their exchange/regulatory capital requirements.

Each of the four FCMs was correctly including only the risk component of the maintenance margin requirement in their calculation. However, the four FCMs were inconsistent in their treatment of grouped accounts.

Grouped accounts are those under identical ownership, grouped as one account for purposes of calculating margin requirements. Division staff, in their review of risk maintenance margin requirements, found three of four FCMs overstated their risk maintenance margin requirement because they did not understand their service bureaus' reports. One FCM overstated the risk requirement by including in the calculation of total risk margin both the margin for the grouped accounts (which was properly counted), and the margin calculated for the individual accounts that make up the grouped accounts (which should not have been counted). Two other FCMs counted the margin calculated for the individual accounts rather than for the grouped accounts. This overstated the margin requirement by failing to account for the margin reducing effect of grouping accounts.

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[13] This figure represents the risk component that would be calculated by SPAN based on the risk margin required for the portfolio assumed in this example.

Therefore, of the four FCMs reviewed, only one treated grouped accounts correctly. The three incorrect calculations resulted in the FCMs overstating their risk-based requirements. Division staff discussed these problems with the FCMs and service bureaus, and the FCMs have been able to address the problems by changing the default settings on their programs to produce reports that automatically reflect proper treatment of the grouped accounts. The Division's review found that the corrective action taken by the service bureaus and FCMs, as noted above, allowed them to properly reflect risk-margin for grouped accounts. Division staff also discussed these problems with Exchange staff and examined subsequent Exchange audits of their member firms, which indicated that FCMs were correctly calculating risk-based margin requirements.

E. Follow-up with Exchange Staff

Exchange staff indicated that they have no plans to change the current percentages applied to customer (8%) and noncustomer (4%) risk maintenance margin. They also indicated that they have reviewed each member firm's risk-based net capital calculations and have found no significant discrepancies. Division staff reviewed the audit work concerning risk-based net capital requirements performed by CBT and CME. Division staff found that the scope of testing was adequate to verify that FCMs were accurately reporting their customer and noncustomer risk maintenance margin requirements. The Exchanges tested margin calculations for individual accounts, ensuring the FCMs were correctly including all customer and noncustomer accounts, including foreign accounts, in the totals used for calculating risk-based net capital.[14]

V. Additional Observations Regarding Risk-Based Capital

A. Firms that Require Margin in Excess of Exchange Minimum

Under the Commission's current rule, an FCM that collects increased margin from its customers will have a greater amount of segregated funds, and thus a proportionately higher capital requirement. Under the risk-based capital rules implemented by the Exchanges and NFA, by contrast, an FCM's minimum net capital requirement does not increase if it collects from its customers a margin requirement higher than the exchange minimum. Division staff tested the accounts of an FCM that required more margin than exchange minimums from certain customer accounts believed to be "high-risk." Division staff also tested the accounts of another FCM that charged higher than required minimum margins for certain "high-volatility" futures contracts. Division staff found that both FCMs

[14] In one instance, CME staff granted a member firm an exemption from computing and reporting total customer risk maintenance margin, because the firm's computer software was not programmed to calculate the risk maintenance margin requirement and would require considerable resources to do so. CME staff compared the firm's SEC capital requirement to 8% of the amount required to be segregated and secured, as an approximation of the firm's risk-based net capital requirement. CME determined that this broker/dealer had an SEC capital requirement far greater than that which would be calculated under the risk-based net capital requirement.

were correctly calculating their risk-based net capital requirements by using the exchange minimum margin requirement, rather than the higher firm requirement.

B. Possible Oversight Issue Regarding SPAN

CME developed and implemented the SPAN system for calculating margin requirements. While Division staff are familiar with the SPAN methodology,[15] Commission approval is not required for variables that are used in the SPAN calculation. If the Commission adopts risk-based capital requirements, it would be relying on SROs for one of the major components of risk-based net capital. This issue is not unique to the new methodology, since the exchange-required level of margin has a substantial effect on the amount of customer funds held to support customer positions.

VI. Analysis of FCMs Which Carry Extraordinary Amounts of Excess Net Capital

Division staff analyzed financial data from reports filed by all 190 FCMs at December 31, 2000. Division staff calculated the ratio of each FCM's adjusted net capital ("ANC") to its net capital requirement. For example, an FCM which has ANC of $300 million and a minimum ANC requirement of $2 million, would show a ratio of 150:1 ($300 million / $2 million). An FCM which has ANC of $4 million and a minimum requirement of $2 million, would show a ratio of 2:1 ($4 million / $2 million). (See Exhibit F for a firm-by-firm comparison.)

This analysis disclosed that 95% (88 of 93) of FCMs which were also securities brokers or dealers reported adjusted net capital at least twice their minimum net capital requirement. Eighty-three (89%) of these FCMs reported adjusted net capital at least three times their minimum net capital requirement. For FCMs not registered as brokers/dealers, 66% (64 of 97) reported adjusted net capital at least twice their minimum net capital requirement; 45% of the firms (44 of 97) reported adjusted net capital at least three times their minimum net capital requirement.

VII. Conclusion

The Commission should adopt risk-based net capital, at 8% of customer and 4% of noncustomer risk maintenance margin, as the Commission's minimum net capital requirement so that minimum net capital requirements and financial reporting rules are better harmonized within the industry, and to better measure risk of positions being carried by FCM registrants.

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[15] The Division has also reviewed the implementation of SPAN by the CME, BOTCC and CBT and issued a report dated April 2001.

Exhibit A

EXCHANGES AND CLEARING ORGANIZATIONS USING SPAN®

SPAN is the official performance bond calculation device of the following exchanges and clearing organizations:

- Board of Trade Clearing Corporation
- Budapesti Arutozsde (Budapest Commodities Exchange)
- Budapesti Ertektoszde (Budapest Stock Exchange)
- Canadian Derivatives Clearing Corporation
- Chicago Board of Trade
- Chicago Mercantile Exchange
- Euronext Paris--(Paris Bourse) (SBF) including SBF, MATIF and Monep Markets and Clearnet SA
- Hong Kong Futures Exchange
- International Petroleum Exchange
- Kansas City Board of Trade
- Kansas City Board of Trade Clearing Corporation.
- Keler (Hungarian Clearing Organization for Derivatives and Securities)
- London Clearing House
- London International Financial Futures and Options Exchange (LIFFE) including LIFFE Commodity Products
- London Metals Exchange
- MidAmerica Commodity Exchange
- Minneapolis Grain Exchange
- New York Board of Trade
- New York Mercantile Exchange including the Commodity Exchange (COMEX) Division
- New Zealand Futures and Options Exchange
- Norsk Opsjonssentral AS (NOS)
- Osaka Securities Exchange (OSE)
- Singapore Exchange (SGX, formerly SIMEX)
- Sydney Futures Exchange Clearing House Pty. Limited
- Sydney Futures Exchange Limited
- The Tokyo International Financial Futures Exchange
- Tokyo Stock Exchange
- Winnipeg Commodity Exchange

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of a Risk-Based Capital Requirement as of December 31, 2000

	Broker/Dealers	Adjusted Net Capital	CFTC Minimum Requirement	Greater of SEC (If Applicable)	Risk Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
	Increase in Capital Requirements As a Result of Risk-Based						
1	UBS WARBURG LLC	$1,141,035,085	$105,165,882	$114,004,477	$171,806,385	$171,806,385	$57,801,908
2	MERRILL LYNCH PROFESSIONAL CLEARING CORP	$721,169,497	$38,831,810	N/A	$95,956,203	$95,956,203	$57,124,393
3	CARGILL INVESTOR SERVICES INC	$107,393,416	$37,838,262	N/A	$74,996,598	$74,996,598	$37,158,336
4	ABN AMRO INCORPORATED	$187,250,985	$44,851,658	N/A	$80,706,953	$80,706,953	$35,855,295
5	CARR FUTURES INC	$228,845,935	$66,169,437	N/A	$92,080,496	$92,080,496	$25,911,059
6	BANC ONE BROKERAGE INTERNATIONAL CORP	$88,839,086	$23,223,617	N/A	$46,103,835	$46,103,835	$22,880,218
7	ED&F MAN INTERNATIONAL INC	$175,732,379	$81,568,097	N/A	$103,391,251	$103,391,251	$21,823,154
8	DEUTSCHE BANK SECURITIES INC	$1,576,905,349	$27,972,687	$30,637,598	$49,760,000	$49,760,000	$19,122,402
9	FIMAT USA INC	$101,259,537	$39,803,725	N/A	$58,410,699	$58,410,699	$18,606,974
10	BARCLAYS CAPITAL INC	$232,555,750	$14,197,753	N/A	$32,549,729	$32,549,729	$18,351,976
11	BNP PARIBAS BROKERAGE SERVICES INC	$60,065,968	$250,000	$387,150	$16,408,701	$16,408,701	$16,021,551
12	CHASE FUTURES & OPTIONS INC	$37,552,235	$9,395,905	N/A	$17,855,774	$17,855,774	$8,459,869
13	GREENWICH CAPITAL MARKETS INC	$555,672,000	$4,824,320	$5,429,000	$13,253,760	$13,253,760	$7,824,760
14	RBC DOMINION SECURITIES CORPORATION	$167,849,370	$250,000	$1,000,000	$6,865,388	$6,865,388	$5,865,388
15	BANC OF AMERICA FUTURES INCORPORATED	$63,314,771	$3,673,188	N/A	$7,474,333	$7,474,333	$3,801,145
16	NOMURA SECURITIES INTERNATIONAL INC	$461,279,353	$2,052,933	$6,098,308	$8,814,767	$8,814,767	$2,716,459
17	FIRST OPTIONS OF CHICAGO INC	$335,365,573	$13,312,071	N/A	$15,191,803	$15,191,803	$1,879,732
18	COMMERZ FUTURES LLC	$11,946,993	$2,932,088	N/A	$4,042,667	$4,042,667	$1,110,579
19	HSBC SECURITIES USA INC	$133,816,141	$6,741,253	N/A	$7,324,883	$7,324,883	$583,630
20	AB FINANCIAL LLC	$6,033,361	$416,910	N/A	$734,446	$734,446	$317,536
21	GOLDENBERG HEHMEYER & CO	$4,008,109	$1,168,603	N/A	$1,259,046	$1,259,046	$90,443
22	TRADELINK LLC	$14,358,435	$250,000	N/A	$253,207	$253,207	$3,207
		22 B/Ds minimum increase due to risk-based					**$363,310,013**

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of a Risk-Based Capital Requirement as of December 31, 2000

	Broker/Dealers	Adjusted Net Capital	CFTC Minimum Requirement	Greater of SEC (If Applicable)	Risk Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
	Decrease in Capital Requirements As a Result of Risk-Based and Elimination of 4% of Seg Requirement						
1	REPUBLIC NEW YORK SECURITIES CORPORATION*	($3,951,936)	$2,624,730	N/A	$0	$250,000	($2,374,730)
2	OCONNOR & COMPANY LLC	$22,763,841	$1,182,966	N/A	$710,084	$710,084	($472,882)
3	ABN AMRO SAGE CORPORATION	$37,216,985	$1,683,508	N/A	$1,441,761	$1,441,761	($241,747)
4	ING US SEC FUTURES & OPTIONS INC	$76,909,072	$9,760,217	N/A	$9,593,924	$9,593,924	($166,293)
5	HORNBLOWER FISCHER & CO	$2,061,758	$339,290	N/A	$262,048	$262,048	($77,242)
6	INTERACTIVE BROKERS LLC	$23,442,595	$742,333	N/A	$695,756	$695,756	($46,577)
		6 B/Ds minimum decreased due to the elimination of 4% of seg and				**risk-based**	**($3,379,471)**
	No Change in Capital Requirement as a result of Risk-Based and the Elimination of 4% of Seg						
1	MORGAN STANLEY & COMPANY INCORPORATED	$4,324,534,982	$116,819,033	$631,011,277	$51,948,300	$631,011,277	No Change
2	MERRILL LYNCH PIERCE FENNER & SMITH	$3,780,561,790	$250,000	$529,333,069	$0	$529,333,069	No Change
3	SALOMON SMITH BARNEY INC	$3,572,895,562	$135,129,447	$504,401,136	$167,221,596	$504,401,136	No Change
4	GOLDMAN SACHS & CO	$3,352,263,674	$281,358,021	$699,734,325	$406,910,417	$699,734,325	No Change
5	BEAR STEARNS SECURITIES CORP	$2,599,284,670	$60,331,220	$565,509,360	$98,349,029	$565,509,360	No Change
6	CREDIT SUISSE FIRST BOSTON CORPORATION	$2,399,071,362	$15,856,199	$79,366,605	$36,394,956	$79,366,605	No Change
7	BEAR STEARNS & CO INC	$1,672,021,778	$250,000	$37,952,375	$0	$37,952,375	No Change
8	LEHMAN BROTHERS INC	$1,670,421,000	$38,787,040	$124,859,000	$74,338,320	$124,859,000	No Change
9	DONALDSON LUFKIN & JENRETTE SEC CORP	$1,658,823,000	$250,000	$222,628,000	$0	$222,628,000	No Change
10	PAINE WEBBER INCORPORATED	$1,531,999,885	$20,354,829	$279,330,885	$14,499,450	$279,330,885	No Change
11	DEAN WITTER REYNOLDS INC	$1,384,318,600	$53,212,585	$188,256,245	$2,499,838	$188,256,245	No Change
12	PRUDENTIAL SECURITIES INCORPORATED	$1,334,865,000	$81,868,040	$214,605,000	$79,804,120	$214,605,000	No Change
13	CIBC WORLD MARKETS CORP	$1,026,877,737	$250,000	$33,698,215	$16,200,388	$33,698,215	No Change
14	SPEAR LEEDS & KELLOG	$866,613,940	$14,573,354	$27,037,900	$15,939,565	$27,037,900	No Change
15	AG EDWARDS & SONS INC	$817,283,219	$2,068,877	$71,484,968	$2,810,627	$71,484,968	No Change
16	SG COWEN SECURITIES CORPORATION	$792,132,856	$250,000	$3,683,899	$0	$3,683,899	No Change
17	ROBERTSON STEPHENS INC	$574,297,356	$250,000	$13,237,438	$0	$13,237,438	No Change
18	BNP PARIBAS SECURITIES CORP	$305,473,541	$250,000	$508,483	$0	$508,483	No Change
19	LEGG MASON WOOD WALKER INC	$290,284,932	$250,000	$24,173,580	$0	$24,173,580	No Change

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of a Risk-Based Capital Requirement as of December 31, 2000

	Broker/Dealers	Adjusted Net Capital	CFTC Minimum Requirement	Greater of SEC (If Applicable)	Risk Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
20	RAYMOND JAMES & ASSOCIATES INC	$288,603,355	$250,000	$33,685,993	$0	$33,685,993	No Change
21	TIMBER HILL LLC	$229,450,104	$250,000	N/A	$50,912	$250,000	No Change
22	DAIN RAUSCHER INCORPORATED	$222,438,882	$250,000	$29,176,861	$0	$29,176,861	No Change
23	BNY CLEARING SERVICES LLC	$200,848,334	$250,000	$13,188,298	$0	$13,188,298	No Change
24	US BANCORP PIPER JAFFRAY INC	$190,452,586	$250,000	$19,004,494	$0	$19,004,494	No Change
25	FUJI SECURITIES INC	$188,766,521	$250,000	$1,029,826	$779,826	$1,029,826	No Change
26	NEUBERGER BERMAN LLC	$184,674,974	$732,227	$27,902,796	$660,529	$27,902,796	No Change
27	WACHOVIA SECURITIES INC	$179,156,447	$250,000	$13,087,375	$0	$13,087,375	No Change
28	SANFORD C BERNSTEIN & CO LLC	$164,903,361	$250,000	$8,382,630	$0	$8,382,630	No Change
29	SCHRODER & CO INC	$162,691,782	$250,000	$8,505,723	$0	$8,505,723	No Change
30	FAHNSTOCK & CO INC	$158,297,587	$250,000	$9,699,401	$86,364	$9,699,401	No Change
31	DAIWA SECURITIES AMERICA INC	$141,507,391	$3,288,535	$5,983,676	$5,330,344	$5,983,676	No Change
32	MORGAN KEEGAN & COMPANY INC	$136,261,775	$250,000	$13,594,754	$0	$13,594,754	No Change
33	WEISS PECK & GREER LLC	$115,328,767	$250,000	$11,792,275	$0	$11,792,275	No Change
34	PAX CLEARING CORPORATION	$96,084,127	$250,000	N/A	$0	$250,000	No Change
35	MITCHELL HUTCHINS ASSET MANAGEMENT INC	$88,739,814	$250,000	N/A	$0	$250,000	No Change
36	CANTOR FITZGERALD & CO	$78,272,322	$789,346	$2,659,357	$525,122	$2,659,357	No Change
37	STEPHENS INC	$73,135,312	$250,000	$13,776,677	$0	$13,776,677	No Change
38	ADVEST INC	$69,263,136	$250,000	$12,487,249	$0	$12,487,249	No Change
39	LINSCO/PRIVATE LEDGER CORP	$59,021,188	$250,000	$5,491,572	$0	$5,491,572	No Change
40	FIRST UNION SECURITIES INC	$58,811,961	$250,000	$1,282,678	$0	$1,282,678	No Change
41	SWISS AMERICAN SECURITIES INC	$57,357,818	$250,000	$6,574,022	$0	$6,574,022	No Change
42	ROBINSON-HUMPHREY COMPANY LLC THE	$54,533,449	$250,000	$1,000,000	$0	$1,000,000	No Change
43	GRUNTAL & CO LLC	$46,944,549	$250,000	$1,500,000	$37,232	$1,500,000	No Change
44	TUCKER ANTHONY INCORPORATED	$44,798,244	$250,000	$1,000,000	$0	$1,000,000	No Change

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of a Risk-Based Capital Requirement as of December 31, 2000

	Broker/Dealers	Adjusted Net Capital	CFTC Minimum Requirement	Greater of SEC (If Applicable)	Risk Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
45	AUBREY G LANSTON & CO INC	$37,992,175	$2,176,353	$8,536,985	$1,340,510	$8,536,985	No Change
46	GILDER GAGNON HOWE & COMPANY LLC	$26,083,273	$250,000	$300,000	$0	$300,000	No Change
47	CAISSE DES DEPOTS SECURITIES INC	$23,647,105	$250,000	N/A	$0	$250,000	No Change
48	ROTHSCHILD INC	$22,708,886	$250,000	N/A	$0	$250,000	No Change
49	KOKUSAI AMERICA INCORPORATED	$21,636,213	$250,000	N/A	$0	$250,000	No Change
50	AVM LP	$18,615,461	$250,000	N/A	$0	$250,000	No Change
51	NIKKO SECURITIES CO INTERNATIONAL INC	$14,294,409	$250,000	N/A	$0	$250,000	No Change
52	JULIUS BAER SECURITIES INC	$12,775,366	$250,000	$627,374	$0	$627,374	No Change
53	MAXCOR FINANCIAL INC	$12,549,516	$250,000	N/A	$0	$250,000	No Change
54	LOEB PARTNERS CORPORATION	$11,834,127	$250,000	N/A	$0	$250,000	No Change
55	LADENBURG THALMANN & CO INC	$11,270,150	$250,000	$1,000,000	$0	$1,000,000	No Change
56	GEORGE K BAUM & COMPANY	$9,626,021	$250,000	$328,676	$0	$328,676	No Change
57	TRANSMARKET GROUP LLC	$7,537,689	$845,835	$1,027,551	$112,357	$1,027,551	No Change
58	INVERLAT INTERNATIONAL INC	$3,817,055	$250,000	N/A	$0	$250,000	No Change
59	ROSENTHAL GLOBAL SECURITIES LP	$3,020,803	$250,000	$589,805	$0	$589,805	No Change
60	FRIEDBERG MERCANTILE GROUP INC	$2,612,048	$250,000	N/A	$15,881	$250,000	No Change
61	MULTIINVESTMENTS INC	$1,662,800	$250,000	N/A	$0	$250,000	No Change
62	BLAYLOCK & PARTNERS LP	$1,612,803	$250,000	N/A	$0	$250,000	No Change
63	SECURITIES CORP OF IOWA	$1,404,921	$250,000	N/A	$0	$250,000	No Change
64	DAVID A NOYES & CO	$1,016,476	$250,000	N/A	$0	$250,000	No Change
65	US SECURITIES & FUTURES CORP	$532,381	$250,000	N/A	$0	$250,000	No Change
		65 B/Ds are unaffected by the elimination of 4% and adoption of risk-based					
93	**Total # of B/Ds**					**Net Inc/(Decr)**	**$359,930,542**

* Republic New York Securities Corporation was inactive as of December 31, 2000.

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of Risk-Based Capital as of December 31, 2000

	FCMs	Adjusted Net Capital	CFTC Minimum Requirement	Risk-Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
	Risk-Based Capital Higher Than CFTC					
1	GSA CLEARING LP	$314,567,893	$127,110,147	$276,352,335	$276,352,335	$149,242,188
2	DEUTSCHE BANK FUTURES INC	$114,906,066	$17,203,777	$109,840,000	$109,840,000	$92,636,223
3	JP MORGAN FUTURES INC	$379,644,557	$133,510,350	$220,267,426	$220,267,426	$86,757,076
4	UBS WARBURG FUTURES INC	$173,876,675	$83,122,688	$137,354,810	$137,354,810	$54,232,122
5	MERRILL LYNCH FUTURES INC	$384,653,000	$243,382,920	$296,240,640	$296,240,640	$52,857,720
6	BNP PARIBAS COMMODITY FUTURES INC	$53,124,527	$9,316,381	$28,661,800	$28,661,800	$19,345,419
7	AIG CLEARING CORPORATION	$118,429,700	$250,000	$8,032,397	$8,032,397	$7,782,397
8	FUJI FUTURES INC	$18,171,438	$2,277,773	$5,938,881	$5,938,881	$3,661,108
9	CREDIT LYONNAIS ROUSE USA LIMITED	$11,425,576	$1,808,203	$4,640,450	$4,640,450	$2,832,247
10	GNI INCORPORATED	$8,387,711	$4,537,681	$6,752,978	$6,752,978	$2,215,297
11	RAND FINANCIAL SERVICES INC	$11,368,895	$4,791,413	$6,864,514	$6,864,514	$2,073,101
12	AGE COMMODITY CLEARING CORP	$10,526,183	$1,798,976	$3,598,774	$3,598,774	$1,799,798
13	TOKYO-MITSUBISHI FUTURES USA INC	$16,538,053	$830,214	$2,437,535	$2,437,535	$1,607,321
14	GELDERMANN INC	$24,630,605	$858,584	$2,346,757	$2,346,757	$1,488,173
15	FC STONE LLC	$16,061,504	$6,293,391	$7,779,320	$7,779,320	$1,485,929
16	ADM INVESTOR SERVICES INC	$66,502,933	$10,856,374	$12,100,153	$12,100,153	$1,243,779
17	SMW TRADING COMPANY INC	$6,739,175	$319,665	$1,015,337	$1,015,337	$695,672
18	DKB FINANCIAL FUTURES CORP	$8,627,292	$250,000	$838,393	$838,393	$588,393
19	SANWA FUTURES LLC	$27,195,795	$590,201	$1,168,858	$1,168,858	$578,657
20	COUNTRY HEDGING INC	$3,558,851	$644,292	$1,207,092	$1,207,092	$562,800
21	AEGIS FINANCIAL LLC	$811,158	$280,295	$704,801	$704,801	$424,506
22	BENSON-QUINN COMMODITIES INC	$5,272,985	$956,940	$1,378,666	$1,378,666	$421,726
23	ENRON TRADING SERVICES INC	$28,070,213	$436,192	$856,096	$856,096	$419,904
24	MID-CO COMMODITIES INC	$3,348,520	$316,748	$695,480	$695,480	$378,732
25	ATWOOD COMMODITIES LLC	$2,390,000	$324,575	$635,770	$635,770	$311,195
26	TRILAND USA INC	$19,931,290	$396,845	$627,070	$627,070	$230,225
27	RJ O'BRIEN ASSOCIATES INC	$17,055,212	$8,820,901	$8,922,093	$8,922,093	$101,192
	27 FCMs minimum increase due to risk-based					**$485,972,900**
	Risk-Based Lower Than CFTC Capital					

Exhibit C

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of Risk-Based Capital as of December 31, 2000

	FCMs	Adjusted Net Capital	CFTC Minimum Requirement	Risk-Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
	(4% of Seg or $250,000)					
1	LIND-WALDOCK & COMPANY LLC	$50,319,110	$22,968,996	$13,611,330	$13,611,330	($9,357,666)
2	REFCO INC	$121,745,985	$71,583,484	$66,803,143	$66,803,143	($4,780,341)
3	MCVEAN TRADING AND INVESTMENTS INC	$8,478,759	$4,932,024	$741,851	$741,851	($4,190,173)
4	VISION LIMITED PARTNERSHIP	$9,391,236	$3,791,844	$1,813,862	$1,813,862	($1,977,982)
5	ROSENTHAL COLLINS GROUP LLC	$37,661,546	$5,584,594	$4,091,712	$4,091,712	($1,492,882)
6	PEREGRINE FINANCIAL GROUP INC	$5,960,554	$2,013,418	$713,622	$713,622	($1,299,796)
7	MBF CLEARING CORP	$6,108,006	$1,951,102	$691,544	$691,544	($1,259,558)
8	PIONEER FUTURES INC	$6,155,926	$3,074,514	$2,010,844	$2,010,844	($1,063,670)
9	PROFESSIONAL MARKET BROKERAGE INC	$2,621,916	$1,661,554	$681,473	$681,473	($980,081)
10	IOWA GRAIN CO	$7,361,908	$3,388,649	$2,417,581	$2,417,581	($971,068)
11	ALARON TRADING CORPORATION	$2,119,098	$1,263,179	$456,280	$456,280	($806,899)
12	DUNAVANT COMMODITY CORP	$13,795,649	$841,863	$0	$250,000	($591,863)
13	RB&H FINANCIAL SERVICES LP	$4,303,870	$2,222,915	$1,688,641	$1,688,641	($534,274)
14	GELBER GROUP LLC	$3,983,616	$750,974	$237,526	$237,526	($513,448)
15	STERLING COMMODITIES CORP	$3,887,740	$684,216	$223,471	$250,000	($434,216)
16	NATIONAL COMMODITIES CORP INC	$826,609	$540,000	$5,709	$250,000	($290,000)
17	TENCO INC	$23,486,309	$1,753,029	$1,479,829	$1,479,829	($273,200)
18	EFUTURES.COM LLC	$805,162	$441,717	$169,915	$250,000	($191,717)
19	DORMAN TRADING LLC	$3,211,128	$418,762	$98,790	$250,000	($168,762)
20	FRONTIER FUTURES INC	$946,032	$482,640	$332,663	$332,663	($149,977)
21	KOTTKE ASSOCIATES LLC	$11,484,015	$291,030	$94,880	$250,000	($41,030)
22	UNIVERSAL FINANCIAL HOLDING CORP	$622,581	$276,000	$105,527	$250,000	($26,000)
23	ROBBINS FUTURES INC	$449,467	$251,298	$63,070	$250,000	($1,298)
24	MILLBURN RIDGEFIELD CORP	$10,474,038	$250,000	$0	$250,000	No Change
25	CRESVALE INTERNATIONAL US LLC	$7,590,626	$250,000	$0	$250,000	No Change
26	SHATKIN ARBOR KARLOV & CO	$7,325,880	$250,000	$88,035	$250,000	No Change
27	PACKERS TRADING CO INC	$4,287,884	$250,000	$119,505	$250,000	No Change
28	CROSSLAND LLC	$3,997,618	$250,000	$8,944	$250,000	No Change
29	FCT GROUP LLC	$3,724,223	$250,000	$154,164	$250,000	No Change
30	SAVANT USA LIMITED	$3,518,482	$250,000	$63,424	$250,000	No Change
31	C CZARNIKOW SUGAR FUTURES INC	$3,040,219	$250,000	$185,868	$250,000	No Change
32	LAWRENCE-BONFITTO TRADING COMPANY	$2,861,316	$250,000	$56,501	$250,000	No Change

Effect on Capital Requirements Due to the Elimination of 4% Seg Funds Capital Requirement and Adoption of Risk-Based Capital as of December 31, 2000

	FCMs	Adjusted Net Capital	CFTC Minimum Requirement	Risk-Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
33	EM COMBS & SON	$2,288,438	$250,000	$14,643	$250,000	No Change
34	SHEPARD INTERNATIONAL INC	$2,128,627	$250,000	$0	$250,000	No Change
35	EAGLE MARKET MAKERS INC	$1,648,195	$250,000	$22,895	$250,000	No Change
36	WHITE COMMERCIAL CORPORATION	$1,638,219	$250,000	$0	$250,000	No Change
37	CUNNINGHAM COMMODITIES INC	$1,616,760	$250,000	$6,640	$250,000	No Change
38	MIDLAND EURO INC	$1,488,026	$250,000	$0	$250,000	No Change
39	HAGERTY GRAIN CO INC	$1,443,683	$250,000	$55,486	$250,000	No Change
40	LAKES TRADING GROUP INC	$1,325,349	$250,000	$240,804	$250,000	No Change
41	MITSUI & CO COMMODITIES CORPORATION	$1,270,809	$250,000	$5,780	$250,000	No Change
42	FOX INC	$1,125,020	$250,000	$0	$250,000	No Change
43	MARQUETTE ELECTRONIC BROKERAGE LLC	$959,522	$250,000	$0	$250,000	No Change
44	HERZOG COMMODITIES INC	$879,622	$250,000	$0	$250,000	No Change
45	TONG YANG FUTURES AMERICA INC	$798,658	$250,000	$0	$250,000	No Change
46	TECH NET TRADING INC	$774,535	$250,000	$27,389	$250,000	No Change
47	BAXTER FINANCIAL SERVICES LTD	$725,977	$250,000	$0	$250,000	No Change
48	SHAY GRAIN CLEARING COMPANY	$721,648	$250,000	$0	$250,000	No Change
49	BROADSTREET FINANCIAL CORP	$720,765	$250,000	$629	$250,000	No Change
50	COMMODITY RESOURCE CORPORATION	$701,786	$250,000	$8,842	$250,000	No Change
51	MACQUARIE FUTURES INC	$692,827	$250,000	$16,800	$250,000	No Change
52	SWISS FINANCIAL SERVICES INC	$685,901	$250,000	$105,464	$250,000	No Change
53	AMERICAN NATIONAL TRADING CORP	$659,957	$250,000	$118,228	$250,000	No Change
54	SIEGEL TRADING CO INC THE	$631,747	$250,000	$3,644	$250,000	No Change
55	MASCOT CAPITAL INVESTMENTS LTD	$536,581	$250,000	$0	$250,000	No Change
56	XPRESSTRADE LLC	$515,919	$250,000	$0	$250,000	No Change
57	SENTINEL MANAGEMENT GROUP INC	$474,086	$250,000	$0	$250,000	No Change
58	LINN GROUP THE	$466,305	$250,000	$0	$250,000	No Change
59	ALCO COMMODITIES INC	$462,548	$250,000	$0	$250,000	No Change
60	MILLENIUM PERFORMANCE LLC	$441,278	$250,000	$0	$250,000	No Change
61	TCA FUTURES LLC	$419,861	$250,000	$0	$250,000	No Change
62	LBS LIMITED PARTNERSHIP	$418,363	$250,000	$0	$250,000	No Change
63	IMPACT INTERNATIONAL TRADING GROUP INC	$411,609	$250,000	$0	$250,000	No Change
64	FUTURES TECH LLC	$409,451	$250,000	$0	$250,000	No Change
65	SHERWOOD FUTURES GROUP LLC	$408,171	$250,000	$66,789	$250,000	No Change

Effect on Capital Requirements Due to
the Elimination of 4% Seg Funds Capital Requirement and Adoption of Risk-Based Capital
as of December 31, 2000

	FCMs	Adjusted Net Capital	CFTC Minimum Requirement	Risk-Based Requirement	Minimum Net Capital Requirement	Difference Increase <Decrease>
66	TOKYO GENERAL USA INC	$401,677	$250,000	$57,376	$250,000	No Change
67	INSTANT FUTURES LLC	$389,595	$250,000	$25,890	$250,000	No Change
68	BIELFELDT & CO	$383,866	$250,000	$0	$250,000	No Change
69	GLOBAL FUTURES & FOREX LIMITED	$296,943	$250,000	$0	$250,000	No Change
70	FUTURESINET INC	$293,063	$250,000	$0	$250,000	No Change
	70 FCMs minimum decrease or stay same due to risk-based					**($31,395,901)**
97	**Total # of FCMs (not broker/dealers)**				**Net Incr/ (Decr)**	**$454,576,999**

Summary of Total Customer Equities Carried by FCMs and B/Ds By DSRO
Reported At
December 31, 2000

DSRO		B/Ds w/Cust		FCMs w/Cust		Total FCM Registrants w/Cust	% of Total Customers' Funds (Note 2)
CBOT (# of Firms) (Note 1)		**21 of 25**		**19 of 23**		**40 of 48**	
4d(2) Segregation	$	22,959,518,956	$	10,005,019,900	$	32,964,538,856	
Part-30 Secured	$	4,475,753,540	$	254,851,519	$	4,730,605,059	
Total - CBOT	$	27,435,272,496	$	10,259,871,419	$	37,695,143,915	61.39%
CME (# of Firms)		**13 of 14**		**13 of 14**		**26 of 28**	
4d(2) Segregation	$	8,294,943,964	$	5,881,482,828	$	14,176,426,792	
Part-30 Secured	$	1,718,508,003	$	54,204,234	$	1,772,712,237	
Total - CME	$	10,013,451,967	$	5,935,687,062	$	15,949,139,029	25.97%
KCBOT (# of Firms)		**0 of 0**		**1 of 1**		**1 of 1**	
4d(2) Segregation	$	-	$	1,338,466	$	1,338,466.00	
Part-30 Secured	$	-	$	-	$	-	
Total - KCBOT	$	-	$	1,338,466	$	1,338,466	0.00%
NFA (# of Firms)		**9 of 49**		**17 of 48**		**26 of 97**	
4d(2) Segregation	$	1,852,710,383	$	761,975,824	$	2,614,686,207	
Part-30 Secured	$	169,459,082	$	9,426,065	$	178,885,147	
Total - NFA	$	2,022,169,465	$	771,401,889	$	2,793,571,354	4.55%
No DSRO (# of Firms)		**0 of 0**		**0 of 0**		**0 of 0**	
4d(2) Segregation	$	-	$	-	$	-	
Part-30 Secured	$	-	$	-	$	-	
Total - NONE (CFTC)	$	-	$	-	$	-	0.00%
NYCE (# of Firms)		**0 of 0**		**1 of 1**		**1 of 1**	
4d(2) Segregation	$	-	$	21,046,566	$	21,046,566	
Part-30 Secured	$	-	$	-	$	-	
Total - NYCE	$	-	$	21,046,566	$	21,046,566	0.03%
NYME (# of Firms)		**4 of 5**		**9 of 10**		**13 of 15**	
4d(2) Segregation	$	580,541,342	$	4,290,245,554	$	4,870,786,896	
Part-30 Secured	$	2,327,955	$	69,381,174	$	71,709,129	
Total - NYME	$	582,869,297	$	4,359,626,728	$	4,942,496,025	8.05%
Total FCM/BDs w/Customers		**47 of 94**		**60 of 96**			
Total	**$**	**40,053,763,225**	**$**	**21,348,972,130**	**$**	**61,402,735,355**	100.00%
		65.23%		**34.77%**			

Footnotes:

Note 1 = Number of FCM/BDs Exchange is DSRO for, and # holding customer funds

Note 2 = % of total Customer Funds held by FCM/BDs for which this exchange is DSRO

Total 4d(2) Segregation	54,648,823,783
Total Part-30 Secured	6,753,911,572
Total	**61,402,735,355**

(Spreadsheet data compiled from financial report data at 12/31/00, available on the Commission's Internet Web site at http://www.cftc.gov/tm/fcm.htm).

EXHIBIT D

Net Capital Ratios
of FCMs and Broker Dealers
Reported at
December 31, 2000

DSRO	Broker/ Dealers	FCMs	Total FCM Registrants
CBOT (# of Firms)	**25**	**23**	**48**
Adjusted Net Capital	$ 27,117,215,140	$ 876,779,707	$ 27,993,994,847
Net Capital Required	$ 3,941,738,738	$ 610,586,205	$ 4,552,324,943
Ratio* - CBOT	6.9	1.4	6.1
CME (# of Firms)	**14**	**14**	**28**
Adjusted Net Capital	$ 6,017,714,680	$ 610,123,401	$ 6,627,838,081
Net Capital Required	$ 957,706,604	$ 378,830,849	$ 1,336,537,453
Ratio* - CME	6.3	1.6	5.0
KCBT (# of Firms)	**0**	**1**	
Adjusted Net Capital	$ -	$ 721,648	$ 721,648
Net Capital Required	$ -	$ 250,000	$ 250,000
Ratio* - KCBT	0	2.9	2.9
NFA (# of Firms)	**49**	**48**	**97**
Adjusted Net Capital	$ 8,990,688,949	$ 97,189,157	$ 9,087,878,106
Net Capital Required	$ 466,053,255	$ 28,527,482	$ 494,580,737
Ratio* - NFA	19.3	3.4	18.4
No DSRO (# of Firms)	**0**	**0**	
Adjusted Net Capital	$ -	$ -	$ -
Net Capital Required	$ -	$ -	$ -
Ratio* - NONE (CFTC)	0.0	0.0	0.0
NYCE (# of Firms)	**0**	**1**	**1**
Adjusted Net Capital	$ -	$ 13,795,649	$ 13,795,649
Net Capital Required	$ -	$ 841,863	$ 841,863
Ratio - NYCE	0.0	16.4	16.4
NYME (# of Firms)	**5**	**10**	**15**
Adjusted Net Capital	$ 1,935,691,222	$ 651,408,140	$ 2,587,099,362
Net Capital Required	$ 64,353,178	$ 271,141,828	$ 335,495,006
Ratio* - NYME	30.1	2.4	7.7
Total All DSROs			
Adjusted Net Capital	$ 44,061,309,991	$ 2,250,017,702	$ 46,311,327,693
Net Capital Required	$ 5,429,851,775	$ 1,290,178,227	$ 6,720,030,002
Ratio* - ALL DSROs	8.1	1.7	6.9

*** Ratio = Adjusted Net Capital / Net Capital Required**
Higher ratio indicates larger amount of ANC above minimum Requirement
(Spreadsheet data compiled from financial report data at 12/31/00, on the Commission's Internet Web site at http://www.cftc.gov/tm/fcm.htm).

EXHIBIT E

SELECTED FCM FINANCIAL DATA
FROM REPORTS FILED BY
JANUARY 25, 2001

	Broker/Dealer FCM	B/D?	Adjusted Net Capital (D)	Net Capital Required (E)	Ratio of ANC to NC Required Colmn (D)/(E)
1	TIMBER HILL LLC	Y	229,450,104	250,000	917.80
2	BNP PARIBAS SECURITIES CORP	Y	305,473,541	508,483	600.75
3	PAX CLEARING CORPORATION	Y	96,084,127	250,000	384.34
4	MITCHELL HUTCHINS ASSET MANAGEMENT INC	Y	88,739,814	250,000	354.96
5	SG COWEN SECURITIES CORPORATION	Y	792,132,856	3,683,899	215.03
6	FUJI SECURITIES INC	Y	188,766,521	1,029,826	183.30
7	CAISSE DES DEPOTS SECURITIES INC	Y	23,647,105	250,000	94.59
8	ROTHSCHILD INC	Y	22,708,886	250,000	90.84
9	GILDER GAGNON HOWE & COMPANY LLC	Y	26,083,273	300,000	86.94
10	KOKUSAI AMERICA INCORPORATED	Y	21,636,213	250,000	86.54
11	AVM LP	Y	18,615,461	250,000	74.46
12	NIKKO SECURITIES CO INTERNATIONAL INC	Y	14,294,409	250,000	57.18
13	TRADELINK LLC	Y	14,358,435	253,207	56.71
14	ROBINSON-HUMPHREY COMPANY LLC THE	Y	54,533,449	1,000,000	54.53
15	NOMURA SECURITIES INTERNATIONAL INC	Y	461,279,353	8,814,767	52.33
16	MAXCOR FINANCIAL INC	Y	12,549,516	250,000	50.20
17	LOEB PARTNERS CORPORATION	Y	11,834,127	250,000	47.34
18	FIRST UNION SECURITIES INC	Y	58,811,961	1,282,678	45.85
19	TUCKER ANTHONY INCORPORATED	Y	44,798,244	1,000,000	44.80
20	BEAR STEARNS & CO INC	Y	1,672,021,778	37,952,375	44.06
21	ROBERTSON STEPHENS INC	Y	574,297,356	13,237,438	43.38
22	GREENWICH CAPITAL MARKETS INC	Y	555,672,000	13,253,760	41.93
23	SPEAR LEEDS & KELLOG	Y	866,613,940	27,037,900	32.05
24	DEUTSCHE BANK SECURITIES INC	Y	1,576,905,349	49,760,000	31.69
25	INTERACTIVE BROKERS LLC	Y	23,442,595	742,333	31.58
26	GRUNTAL & CO LLC	Y	46,944,549	1,500,000	31.30
27	CIBC WORLD MARKETS CORP	Y	1,026,877,737	33,698,215	30.47
28	CREDIT SUISSE FIRST BOSTON CORPORATION	Y	2,399,071,362	79,366,605	30.23
29	CANTOR FITZGERALD & CO	Y	78,272,322	2,659,357	29.43
30	GEORGE K BAUM & COMPANY	Y	9,626,021	328,676	29.29
31	RBC DOMINION SECURITIES CORPORATION	Y	167,849,370	6,865,388	24.45
32	DAIWA SECURITIES AMERICA INC	Y	141,507,391	5,983,676	23.65
33	ABN AMRO SAGE CORPORATION	Y	37,216,985	1,683,508	22.11
34	FIRST OPTIONS OF CHICAGO INC	Y	335,365,573	15,191,803	22.08
35	JULIUS BAER SECURITIES INC	Y	12,775,366	627,374	20.36
36	SANFORD C BERNSTEIN & CO LLC	Y	164,903,361	8,382,630	19.67
37	OCONNOR & COMPANY LLC	Y	22,763,841	1,182,966	19.24
38	SCHRODER & CO INC	Y	162,691,782	8,505,723	19.13
39	HSBC SECURITIES USA INC	Y	133,816,141	7,324,883	18.27
40	FAHNSTOCK & CO INC	Y	158,297,587	9,699,401	16.32
41	INVERLAT INTERNATIONAL INC	Y	3,817,055	250,000	15.27
42	BNY CLEARING SERVICES LLC	Y	200,848,334	13,188,298	15.23
43	WACHOVIA SECURITIES INC	Y	179,156,447	13,087,375	13.69
44	LEHMAN BROTHERS INC	Y	1,670,421,000	124,859,000	13.38
45	LEGG MASON WOOD WALKER INC	Y	290,284,932	24,173,580	12.01
46	AG EDWARDS & SONS INC	Y	817,283,219	71,484,968	11.43
47	LADENBURG THALMANN & CO INC	Y	11,270,150	1,000,000	11.27
48	LINSCO/PRIVATE LEDGER CORP	Y	59,021,188	5,491,572	10.75
49	FRIEDBERG MERCANTILE GROUP INC	Y	2,612,048	250,000	10.45
50	MORGAN KEEGAN & COMPANY INC	Y	136,261,775	13,594,754	10.02
51	US BANCORP PIPER JAFFRAY INC	Y	190,452,586	19,004,494	10.02
52	WEISS PECK & GREER LLC	Y	115,328,767	11,792,275	9.78
53	SWISS AMERICAN SECURITIES INC	Y	57,357,818	6,574,022	8.72
54	RAYMOND JAMES & ASSOCIATES INC	Y	288,603,355	33,685,993	8.57
55	BANC OF AMERICA FUTURES INCORPORATED	Y	63,314,771	7,474,333	8.47

SELECTED FCM FINANCIAL DATA
FROM REPORTS FILED BY
JANUARY 25, 2001

	Broker/Dealer FCM	B/D?	Adjusted Net Capital (D)	Net Capital Required (E)	Ratio of ANC to NC Required Colmn (D)/(E)
56	AB FINANCIAL LLC	Y	6,033,361	734,446	8.21
57	ING US SEC FUTURES & OPTIONS INC	Y	76,909,072	9,760,217	7.88
58	DAIN RAUSCHER INCORPORATED	Y	222,438,882	29,176,861	7.62
59	MERRILL LYNCH PROFESSIONAL CLEARING CORP	Y	721,169,497	95,956,203	7.52
60	DONALDSON LUFKIN & JENRETTE SEC CORP	Y	1,658,823,000	222,628,000	7.45
61	DEAN WITTER REYNOLDS INC	Y	1,384,318,600	188,256,245	7.35
62	TRANSMARKET GROUP LLC	Y	7,537,689	1,027,551	7.34
63	BARCLAYS CAPITAL INC	Y	232,555,750	32,549,729	7.14
64	MERRILL LYNCH PIERCE FENNER & SMITH	Y	3,780,561,790	529,333,069	7.14
65	SALOMON SMITH BARNEY INC	Y	3,572,895,562	504,401,136	7.08
66	MORGAN STANLEY & COMPANY INCORPORATED	Y	4,324,534,982	631,011,277	6.85
67	MULTIINVESTMENTS INC	Y	1,662,800	250,000	6.65
68	UBS WARBURG LLC	Y	1,141,035,085	171,806,385	6.64
69	NEUBERGER BERMAN LLC	Y	184,674,974	27,902,796	6.62
70	BLAYLOCK & PARTNERS LP	Y	1,612,803	250,000	6.45
71	PRUDENTIAL SECURITIES INCORPORATED	Y	1,334,865,000	214,605,000	6.22
72	HORNBLOWER FISCHER & CO	Y	2,061,758	339,290	6.08
73	SECURITIES CORP OF IOWA	Y	1,404,921	250,000	5.62
74	ADVEST INC	Y	69,263,136	12,487,249	5.55
75	PAINE WEBBER INCORPORATED	Y	1,531,999,885	279,330,885	5.48
76	STEPHENS INC	Y	73,135,312	13,776,677	5.31
77	ROSENTHAL GLOBAL SECURITIES LP	Y	3,020,803	589,805	5.12
78	GOLDMAN SACHS & CO	Y	3,352,263,674	699,734,325	4.79
79	BEAR STEARNS SECURITIES CORP	Y	2,599,284,670	565,509,360	4.60
80	AUBREY G LANSTON & CO INC	Y	37,992,175	8,536,985	4.45
81	DAVID A NOYES & CO	Y	1,016,476	250,000	4.07
82	BNP PARIBAS BROKERAGE SERVICES INC	Y	60,065,968	16,408,701	3.66
83	GOLDENBERG HEHMEYER & CO	Y	4,008,109	1,259,046	3.18
84	COMMERZ FUTURES LLC	Y	11,946,993	4,042,667	2.96
85	CARR FUTURES INC	Y	228,845,935	92,080,496	2.49
86	ABN AMRO INCORPORATED	Y	187,250,985	80,706,953	2.32
87	US SECURITIES & FUTURES CORP	Y	532,381	250,000	2.13
88	CHASE FUTURES & OPTIONS INC	Y	37,552,235	17,855,774	2.10
89	BANC ONE BROKERAGE INTERNATIONAL CORP	Y	88,839,086	46,103,835	1.93
90	FIMAT USA INC	Y	101,259,537	58,410,699	1.73
91	ED&F MAN INTERNATIONAL INC	Y	175,732,379	103,391,251	1.70
92	CARGILL INVESTOR SERVICES INC	Y	107,393,416	74,996,598	1.43
93	REPUBLIC NEW YORK SECURITIES CORPORATION	Y	(3,951,936)	2,624,730	-1.51
	Total For all Broker/Dealers Net Capital Ratio		**$44,061,309,991**	**$5,429,851,775**	**8.11**
1	MILLBURN RIDGEFIELD CORP	N	10,474,038	250,000	41.90
2	KOTTKE ASSOCIATES LLC	N	11,484,015	291,030	39.46
3	ENRON TRADING SERVICES INC	N	28,070,213	856,096	32.79
4	TRILAND USA INC	N	19,931,290	627,070	31.78
5	CRESVALE INTERNATIONAL US LLC	N	7,590,626	250,000	30.36
6	SHATKIN ARBOR KARLOV & CO	N	7,325,880	250,000	29.30
7	SANWA FUTURES LLC	N	27,195,795	1,168,858	23.27
8	PACKERS TRADING CO INC	N	4,287,884	250,000	17.15
9	DUNAVANT COMMODITY CORP	N	13,795,649	841,863	16.39
10	CROSSLAND LLC	N	3,997,618	250,000	15.99
11	FCT GROUP LLC	N	3,724,223	250,000	14.90
12	AIG CLEARING CORPORATION	N	118,429,700	8,032,397	14.74
13	SAVANT USA LIMITED	N	3,518,482	250,000	14.07
14	TENCO INC	N	23,486,309	1,753,029	13.40
15	C CZARNIKOW SUGAR FUTURES INC	N	3,040,219	250,000	12.16

SELECTED FCM FINANCIAL DATA
FROM REPORTS FILED BY
JANUARY 25, 2001

		B/D?	Adjusted Net Capital	Net Capital Required	Ratio of ANC to NC Required
	Broker/Dealer FCM		(D)	(E)	Colmn (D)/(E)
16	LAWRENCE-BONFITTO TRADING COMPANY	N	2,861,316	250,000	11.45
17	GELDERMANN INC	N	24,630,605	2,346,757	10.50
18	DKB FINANCIAL FUTURES CORP	N	8,627,292	838,393	10.29
19	EM COMBS & SON	N	2,288,438	250,000	9.15
20	SHEPARD INTRENATIONAL INC	N	2,128,627	250,000	8.51
21	DORMAN TRADING LLC	N	3,211,128	418,762	7.67
22	TOKYO-MITSUBISHI FUTURES USA INC	N	16,538,053	2,437,535	6.78
23	ROSENTHAL COLLINS GROUP LLC	N	37,661,546	5,584,594	6.74
24	SMW TRADING COMPANY INC	N	6,739,175	1,015,337	6.64
25	EAGLE MARKET MAKERS INC	N	1,648,195	250,000	6.59
26	WHITE COMMERCIAL CORPORATION	N	1,638,219	250,000	6.55
27	CUNNINGHAM COMMODITIES INC	N	1,616,760	250,000	6.47
28	MIDLAND EURO INC	N	1,488,026	250,000	5.95
29	HAGERTY GRAIN CO INC	N	1,443,683	250,000	5.77
30	STERLING COMMODITIES CORP	N	3,887,740	684,216	5.68
31	ADM INVESTOR SERVICES INC	N	66,502,933	12,100,153	5.50
32	GELBER GROUP LLC	N	3,983,616	750,974	5.30
33	LAKES TRADING GROUP INC	N	1,325,349	250,000	5.30
34	MITSUI & CO COMMODITIES CORPORATION	N	1,270,809	250,000	5.08
35	MID-CO COMMODITIES INC	N	3,348,520	695,480	4.81
36	FOX INC	N	1,125,020	252,000	4.46
37	MARQUETTE ELECTRONIC BROKERAGE LLC	N	959,522	250,000	3.84
38	BENSON-QUINN COMMODITIES INC	N	5,272,985	1,378,666	3.82
39	ATWOOD COMMODITIES LLC	N	2,390,000	635,770	3.76
40	HERZOG COMMODITIES INC	N	879,622	250,000	3.52
41	TONG YANG FUTURES AMERICA INC	N	798,658	250,000	3.19
42	MBF CLEARING CORP	N	6,108,006	1,951,102	3.13
43	TECH NET TRADING INC	N	774,535	250,000	3.10
44	FUJI FUTURES INC	N	18,171,438	5,938,881	3.06
45	PEREGRINE FINANCIAL GROUP INC	N	5,960,554	2,013,418	2.96
46	COUNTRY HEDGING INC	N	3,558,851	1,207,092	2.95
47	AGE COMMODITY CLEARING CORP	N	10,526,183	3,598,774	2.92
48	BAXTER FINANCIAL SERVICES LTD	N	725,977	250,000	2.90
49	SHAY GRAIN CLEARING COMPANY	N	721,648	250,000	2.89
50	BROADSTREET FINANCIAL CORP	N	720,765	250,000	2.88
51	COMMODITY RESOURCE CORPORATION	N	701,786	250,000	2.81
52	MACQUARIE FUTURES INC	N	692,827	250,000	2.77
53	SWISS FINANCIAL SERVICES INC	N	685,901	250,000	2.74
54	AMERICAN NATIONAL TRADING CORP	N	659,957	250,000	2.64
55	SIEGEL TRADING CO INC THE	N	631,747	250,000	2.53
56	VISION LIMITED PARTNERSHIP	N	9,391,236	3,791,844	2.48
57	CREDIT LYONNAIS ROUSE USA LIMITED	N	11,425,576	4,640,450	2.46
58	UNIVERSAL FINANCIAL HOLDING CORP	N	622,581	276,000	2.26
59	LIND-WALDOCK & COMPANY LLC	N	50,319,110	22,968,996	2.19
60	IOWA GRAIN CO	N	7,361,908	3,388,649	2.17
61	MASCOT CAPITAL INVESTMENTS LTD	N	536,581	250,000	2.15
62	FC STONE LLC	N	16,061,504	7,779,320	2.06
63	XPRESSTRADE LLC	N	515,919	250,000	2.06
64	PIONEER FUTURES INC	N	6,155,926	3,074,514	2.00
65	FRONTIER FUTURES INC	N	946,032	482,640	1.96
66	RB&H FINANCIAL SERVICES LP	N	4,303,870	2,222,915	1.94
67	RJ OBRIEN ASSOCIATES INC	N	17,055,212	8,922,093	1.91
68	SENTINEL MANAGEMENT GROUP INC	N	474,086	250,000	1.90
69	LINN GROUP THE	N	466,305	250,000	1.87
70	BNP PARIBAS COMMODITY FUTURES INC	N	53,124,527	28,661,800	1.85

SELECTED FCM FINANCIAL DATA
FROM REPORTS FILED BY
JANUARY 25, 2001

	Broker/Dealer FCM	B/D?	Adjusted Net Capital (D)	Net Capital Required (E)	Ratio of ANC to NC Required Colmn (D)/(E)
71	ALCO COMMODITIES INC	N	462,548	250,000	1.85
72	EFUTURES.COM LLC	N	805,162	441,717	1.82
73	ROBBINS FUTURES INC	N	449,467	251,298	1.79
74	MILLENIUM PERFORMANCE LLC	N	441,278	250,000	1.77
75	JP MORGAN FUTURES INC	N	379,644,557	220,267,426	1.72
76	MCVEAN TRADING AND INVESTMENTS INC	Y	8,478,759	4,932,024	1.72
77	REFCO INC	N	121,745,985	71,583,484	1.70
78	TCA FUTURES LLC	N	419,861	250,000	1.68
79	ALARON TRADING CORPORATION	N	2,119,098	1,263,179	1.68
80	LBS LIMITED PARTNERSHIP	N	418,363	250,000	1.67
81	RAND FINANCIAL SERVICES INC	N	11,368,895	6,864,514	1.66
82	IMPACT INTERNATIONAL TRADING GROUP INC	N	411,609	250,000	1.65
83	FUTURES TECH LLC	N	409,451	250,000	1.64
84	SHERWOOD FUTURES GROUP LLC	N	408,171	250,000	1.63
85	TOKYO GENERAL USA INC	N	401,677	250,000	1.61
86	PROFESSIONAL MARKET BROKERAGE INC	N	2,621,916	1,661,554	1.58
87	INSTANT FUTURES LLC	N	389,595	250,000	1.56
88	BIELFELDT & CO	N	383,866	250,000	1.54
89	NATIONAL COMMODITIES CORP INC	N	826,609	540,000	1.53
90	MERRILL LYNCH FUTURES INC	N	384,653,000	296,240,640	1.30
91	UBS WARBURG FUTURES INC	N	173,876,675	137,354,810	1.27
92	GNI INCORPORATED	N	8,387,711	6,752,978	1.24
93	GLOBAL FUTURES & FOREX LIMITED	N	296,943	250,000	1.19
94	FUTURESINET INC	N	293,063	250,000	1.17
95	AEGIS FINANCIAL LLC	N	811,158	704,801	1.15
96	GSA CLEARING LP	N	314,567,893	276,352,335	1.14
97	DEUTSCHE BANK FUTURES INC	N	114,906,066	109,840,000	1.05
	Total for all FCM (No B/Ds) Net Capital Ratio		**$ 2,250,017,702**	**$ 1,290,178,227**	**1.74**
	Control Totals (All FCMs and B/Ds)		**$ 46,311,327,693**	**$ 6,720,030,002**	**6.89**
	(See Exhibit F)				

(Spreadsheet data compiled from financial report data at 12/31/00, on the Commission's Internet Web site at http://www.cftc.gov/tm/fcm.htm).

History of the Commission's Net Capital Rule

The first capital requirement for FCMs was established in 1969 by the Commodity Exchange Authority, an agency of the U.S. Department of Agriculture, which was a predecessor to the Commission. At that time, an FCM was required to maintain working capital of five percent (5%) of the FCM's aggregate indebtedness, with a minimum of at least $10,000. Working capital was defined as current assets (those assets that could be converted into cash within the next 12 months) less current liabilities (those obligations of an FCM that came due and payable within the next 12 months). Working capital for these purposes was reduced by certain safety factors, referred to as "haircuts."

When the Commission succeeded the Commodity Exchange Authority in 1975, it adopted that same working capital requirement. However, in May of 1977, the Commission proposed to revise Rule 1.17 to require FCMs to maintain adjusted net capital equal to, or in excess of, the greater of either $25,000 or 6 2/3% of aggregate indebtedness.[16] At the same time, the Commission proposed an alternative capital requirement which was the greater of $100,000 or 4% of the amount of funds an FCM was required to segregate for its commodity customers plus, for securities brokers, 4% of the FCM-securities broker's aggregate debit items.[17] In making this alternative proposal, the Commission noted that, since the principal purpose of capital requirements is the protection of customer funds, it was logical to integrate a firm's minimum capital requirement with the amount of funds it was required to segregate for its customers.[18]

On September 8, 1978, the Commission adopted changes to its capital requirements.[19] The basic requirement that was adopted was the greatest of: (a) $50,000 for an FCM that was a member of a commodity exchange, or $100,000 for an FCM that was not an exchange member; or (b) 6 2/3% of aggregate indebtedness. The Commission also adopted an alternative requirement that an FCM could choose, which was the greatest of (a) $50,000 for an FCM that was a member of a commodity exchange, or $100,000 for an FCM that was not an exchange member; or (b) 4% of the

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[16] 42 FR 27166 (May 26, 1977).

[17] The Commission's proposed alternative capital requirement was modeled on the alternative capital requirement that existed at that time in SEC Rule 15c3-3a, which required that a broker-dealer maintain adjusted net capital equal to or exceeding $100,000 or 4% of aggregate debt items. The Commission did not believe that the SEC's requirement would provide adequate protection for commodity customers of FCMs, especially those with little or no securities business, and therefore proposed as its own alternative capital requirement what was essentially the SEC's requirement, plus 4% of the amount of funds required to be segregated. 42 FR 27166 at 27169.

[18] 42 FR 27166 at 27169.

[19] 43 FR 39956 (September 8, 1978).

amount of commodity funds required to be segregated; or (c) for securities brokers and dealers, 4% of aggregate debit. Although the alternative requirement as proposed in May 1977 would have added the SEC requirement to the Commission's requirement, in response to comments objecting to this portion of the proposal, the rule finally adopted in September 1978 required an FCM to meet only the greater of the SEC or CFTC requirements.

On December 1, 1980, the Commission adopted another change to the capital requirement to make what was then the alternative requirement into the only requirement available to the FCM.[20] This was done to ensure that FCM capital requirements increased as the amount of commodity business conducted by an FCM increased -- as reflected in the amount of commodity funds an FCM was required to segregate for its customers. As business increased, segregation requirements would increase, and capital requirements (at 4%) would increase.

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[20] 45 FR 79416 (December 1, 1980).